

UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF PENNSYLVANIA

|                               |   |           |
|-------------------------------|---|-----------|
| THE UNITED STATES OF AMERICA  | ) |           |
|                               | ) |           |
| Plaintiff,                    | ) |           |
|                               | ) |           |
| v.                            | ) | Civil No. |
|                               | ) |           |
| DERON O. JOE,                 | ) |           |
| EDMUND G. DASSIN, and         | ) |           |
| JAMES M. TOPKAWHIEA           | ) |           |
| d/b/a URBAN TAX PROFESSIONALS | ) |           |
|                               | ) |           |
| Defendants.                   | ) |           |

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

Plaintiff United States of America for its complaint against Defendants Deron O. Joe, Edmund G. Dassin, and James M. Topkawhiea, d/b/a Urban Tax Professionals, states as follows:

**Nature of the Action**

1. Deron O. Joe, Edmund G. Dassin, and James M. Topkawhiea are Philadelphia, Pennsylvania-area tax return preparers who prepare and file fraudulent income tax returns for their customers through their business, Urban Tax Professionals, formerly Edron Tax Professionals. Defendants’ fraudulent scheme involves intentionally manipulating the income tax liability of their customers, and falsely claiming the First-time Home Buyer Credit (FTHBC) and the Earned Income Tax Credit (EITC). Defendants falsely claimed the FTHBC for at least 190 individuals who were not entitled to it because they had not purchased a home and/or were not first-time home buyers. Additionally, Defendants have illegally fabricated income, losses and/or expenses on their customers’ tax returns to ensure that their customers can claim the EITC and receive larger tax refunds. The manipulation of their customers’ income, losses and/or

expenses by Defendants is done with no justification and its sole purpose is to fraudulently obtain increased tax refunds for their customers.

2. The United States brings this complaint pursuant to sections 7402(a), 7407, and 7408 of the Internal Revenue Code to enjoin Defendants, and all those in active concert or participation with them, from directly or indirectly:

- a. Acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns or amended returns for any person or entity other than each Defendant preparing his own personal tax return;
- b. Preparing or filing, or assisting in the preparation or filing of tax returns or other related forms or documents for others;
- c. Appearing as a representative on behalf of any person or entity whose tax liabilities are under examination or investigation by the IRS;
- d. Owning, managing, controlling, working for, or volunteering for a tax-return-preparation business;
- e. Filing (or helping or soliciting others to file) tax returns for others through the Internal Revenue Service E-File program or any other IRS service or program by which one electronically files tax returns;
- f. Seeking permission or authorization (or helping or soliciting others to seek permission or authorization) to file tax returns using an IRS Electronic Filing Identification Number (EFIN) or an IRS Preparer Tax Identification Number (PTIN), or any other IRS service or program by which one prepares or files tax returns;
- g. Instructing or advising customers, or assisting in the instruction or advice to customers to understate their federal tax liabilities;

- f. Engaging in any conduct subject to penalty under I.R.C. § 6701, including preparing or assisting in the preparation of, or advising with respect to a document related to a material matter under the internal revenue laws that includes a position that Defendants know will, if used, result in an understatement of tax liability;
- g. Engaging in conduct subject to penalty under I.R.C. §§ 6694, 6695, 6700, or any provision of the Internal Revenue Code;
- h. Engaging in conduct designed or intended to, or having the effect of, obstructing or delaying an IRS investigation or audit; and
- i. Engaging in any other conduct that interferes with the proper administration and enforcement of the internal revenue laws.

#### **Authorization**

3. This action for injunctive relief is brought at the request of the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408.

#### **Jurisdiction and Venue**

4. Jurisdiction is conferred on this court by 28 U.S.C. §§ 1340 and 1345, and 26 U.S.C. §§ 7402(a), 7407, and 7408.

5. Venue is proper in this court pursuant to 28 U.S.C. § 1391(b) because Joe, Dassin, and Topkawhiewa reside in this judicial district and a substantial portion of the events giving rise to this action took place in this judicial district. Defendants have also operated their tax preparation business in this district, at 6200 Woodland Avenue and at 7038 Emerald Avenue, in Philadelphia, Pennsylvania. Defendants are currently preparing taxes at 100 Lincoln Avenue, in Collingdale, Pennsylvania.

### **The Defendants**

6. Deron O. Joe is a Philadelphia-area tax return preparer who has been preparing returns for customers since at least 2006. Joe began preparing tax returns in 2003 at Crystal Clear in Philadelphia, Pennsylvania. Joe also worked at H&R Block in Philadelphia.

7. Joe prepared federal income tax returns at H&R Block until approximately 2006, when he started a new business, Edron Tax Professionals, with Defendants Dassin and Topkawhiea and another individual, Abdullah Sheriff. Edron applied for an IRS Electronic Filing Identification Number (EFIN) in August 2006.

8. Joe filed his own tax return for 2008, in which he improperly listed his filing status as single even though he was married, claimed a deduction for mortgage interest even though he did not have a mortgage, and claimed the FTHBC, even though he did not purchase a home and was not eligible for the credit. Joe also admitted that he underreported his income on both his 2007 and 2008 tax returns.

9. Joe prepared income tax returns at Edron Tax Professionals with Dassin and Topkawhiea, and currently prepares income tax returns at Urban Tax Professionals.

10. Edmund G. Dassin is a Philadelphia-area tax return preparer who has been preparing returns for customers since at least 2006.

11. In 2006, Dassin worked at Crystal Clear, a tax preparation business in Philadelphia, where he met Joe. In 2006, Dassin began preparing federal income tax returns with Joe at Edron Tax Professionals.

12. Dassin filed tax returns for himself for 2005 through 2009. On his 2008 personal income tax return he claimed Schedule C expenses similar to those reported on his clients'

returns and claimed the FTHBC even though he lives in an apartment and does not own any real property.

13. James P. Topkawhiewa is a tax return preparer who has been preparing tax returns for customers since at least 2006.

14. All three Defendants purportedly attended tax preparation courses at H&R Block.

15. Joe, Dassin, and Topkawhiewa prepared federal income tax returns at Edron Tax Professionals from 2006 through at least 2010.

16. Defendants formed Edron Tax Professionals as a general partnership, and created a partnership agreement.

17. As Edron Tax Professionals, Defendants operated at 6200 Woodland Avenue and 7038 Emerald Avenue in Philadelphia, Pennsylvania.

18. In addition to the EFIN for Edron, each preparer was assigned his own preparer tax identification number (PTIN), which is supposed to be included on each return prepared by each individual.

19. On August 31, 2011, Defendants changed the name of the tax preparation business from Edron Tax Professionals to Urban Tax Professionals, but kept the same Employer Identification Number (EIN).

20. As Urban Tax Professionals, Defendants currently do business at 100 Lincoln Avenue, in Collingdale, Pennsylvania.

### **The Defendants' Fraudulent Tax Preparation Activities**

21. Defendants prepare federal income tax returns for compensation and are therefore tax return preparers as defined by 26 U.S.C. § 7701(a)(36).

22. Defendants are Liberian nationals who are legal permanent residents of the United States. Most of Defendants' customers are also from Liberia and were referred to Defendants by family or friends in their community.

23. Edron advertised its services with flyers stating Edron employees are experts in taxation, and offer professional tax preparation, 24-hour rapid refunds, and direct deposit.

24. Each Defendant set his own fee schedule. An employee of Edron stated that the fee charged depends on the size of the refund, with a larger refund generating a higher fee. Defendants were paid in cash, by check, or by deducting money from their customers' refund.

25. Edron offered its customers 7-10 day loans through Santa Barbara Bank & Trust, whereby the bank notified Edron when its customers' refunds were available, and Edron would print out checks for the client representing the amount of refund, minus transmitting and preparation fees. Edron charged its customers additional fees for this service.

26. As detailed more fully below, since at least 2009, Defendants have employed several blatantly fraudulent tax schemes to understate their customers' tax liability and to obtain significant refunds for customers. Defendants prepare returns for customers that, among other things, illegally manipulate the amount and type of income their customers receive, report personal expenses as unreimbursed employee business expenses, falsely claim dependents in order to maximize refunds, and contain false claims for the First-Time Home Buyer tax credit.

**Defendants' Continuous and Repeated Preparation of Returns Falsely  
Claiming the First-Time Home-Buyer Credit**

27. In July 2008, Congress enacted the First-Time Home Buyer Credit, 26 U.S.C. § 36, to strengthen the struggling real estate market. The credit allowed first-time home buyers a credit against their federal income tax of either \$8,000 or ten percent of the home's purchase price, whichever was less. The FTHBC is refundable, meaning that if a taxpayer did not pay any

federal income taxes the year of his eligibility for the FTHBC, she may receive a refund up to the full amount of the credit (\$8,000).

28. In 2008, a taxpayer was eligible to claim the FTHBC if he or she had not owned a home in the previous three years and if he or she actually purchased a home between April 8, 2008, and January 1, 2009.

29. If eligible, a taxpayer could claim the FTHBC by completing an IRS Form 5405, which also set forth the criteria for eligibility, and attaching Form 5405 to her income return.

30. In order to obtain illegally inflated refunds for their customers, Defendants repeatedly filed false federal income tax returns and IRS Forms 5405 for their customers.

31. Defendants made no attempt to determine whether their customers were qualified to claim the credit and frequently claimed the credit for customers they knew were not eligible for it.

32. Defendants claimed the FTHBC for individuals who had not purchased homes in 2008 and, often, did not own a home at all.

33. Defendants falsely represented on Forms 5405 that their clients had purchased homes. On the first line of the Form 5405, a tax preparer is required to list the address of the home qualifying for the FTHBC. Because many of their customers had not purchased homes, Defendants would instead list their customers' current addresses.

34. The IRS has identified at least 232 returns for the 2008 tax year which were prepared by Edron Tax Professionals and which claimed the FTHBC. These 232 returns, in which Edron Tax Professionals claimed a FTHBC ranging from \$3,750 to \$8,000, claimed a total of \$1,749,990.00 in credits. The Service has disallowed the FTHBC on at least 193 of the returns because the customers did not purchase a home or otherwise did not qualify for the credit. Thus, Edron Tax Professionals falsely claimed the FTHBC at least 80% of the time it was claimed.

35. An investigation of each Defendant's return preparation activity revealed that Joe, Dassin, and Topkawhiea each falsely claimed the FTHBC on his customers' returns, and such false returns were later disallowed.

36. Joe fraudulently claimed the FTHBC at least 73% of the time, falsely claiming it on 89 of the 121 returns he prepared that claimed the credit.

37. Dassin prepared at least 41 returns claiming the FHTBC in 2008, and falsely claimed the FTHBC on at least 28 returns, or at least 68% of the time.

38. Topkawhiea prepared at least returns 22 returns claiming the FTHBC in 2008, and falsely claimed the FTHBC on at least 17 returns, or at least 77% of the time.

39. Joe and Dassin instructed at least one of their employees to claim the FTHBC on every return he prepared.

40. Dassin stated he gave the FTHBC to clients who were considering purchasing a home, even though they had not purchased a home and did not qualify for the credit.

41. For example, Dassin prepared the 2008 tax return of Rose Browne, a customer who claimed the FTHBC. Browne has never owned a home and did not own or purchase a home in 2008. Despite this, Dassin claimed a \$7500 FTHBC on Browne's return. Browne did not receive a copy of her return until March 2010. Because Browne did not purchase a home in 2008 and, indeed, has never purchased a home, it is clear she did not qualify for the FTHBC. The IRS disallowed the FTHBC Dassin claimed on Browne's return.

42. Topkawhiea said he claimed the FTHBC for customers who had not purchased homes, but who wanted to purchase homes.

43. For example, Topkawhiea prepared a 2008 income tax return for a customer who claimed the FTHBC even though the taxpayer, Yidaa Hne, rented an apartment and did not purchase a home during 2008. Despite this, Topkawhiea told Hne that he could claim the credit if he wanted to purchase a home in the future. Based on Topkawhiea's false FTHBC claim, the

IRS issued Hne a refund check for \$5,953.51. The IRS disallowed the FTHBC Topkawhiea claimed on Hne's return, and assessed him with a tax deficiency of over \$15,000.

44. Joe admitted he claimed the FTHBC to clients who he knew did not qualify for the credit.

45. As an example, Joe prepared a 2008 tax return for Mary Krayee in which he claimed a FTHBC of \$7,500, even though Krayee purchased a home from her ex-husband for \$1.00. On Line 1 of Form 5405, a preparer is instructed to list the lesser of \$7,500 or the purchase price of the home. Instead of listing \$1, however, Joe reported that Krayee was entitled to claim a \$7,500 credit. The IRS disallowed the FTHBC Joe claimed on Krayee's return.

46. Defendants continually and repeatedly falsely claimed the credit on returns they prepared with the knowledge that the customers for whom they claimed the credit had not purchased a home or did not qualify for the credit.

47. The disallowance of the 193 FTHBCs reported by Edron Tax Professionals for 2008 could result in a revenue loss to the United States of over \$1.2 million caused by erroneous tax refunds.

#### **DEFENDANTS' OTHER FRAUDULENT TAX PREPARATION ACTIVITIES**

48. The IRS examined over 350 federal income tax returns prepared by Defendants during 2009 and 2010 for tax years 2008 and 2009, including 228 federal income tax returns that were electronically filed using Joe's TFIN, 70 federal income tax returns that were electronically filed using Dassin's EFIN, and 53 federal income tax returns that were filed using Topkawhiea's EFIN. The IRS is in the process of auditing additional returns for 2010.

49. More than 60% of the returns the IRS audited for the 2008 through 2009 tax years understated the tax liabilities of Defendants' customers, as shown in the table below.

| <b>Year</b>  | <b>Total Returns E-Filed</b> | <b>Completed Examinations</b> | <b>Number of Returns with Positive Adjustments</b> | <b>Percentage of Returns with Positive Adjustments</b> |
|--------------|------------------------------|-------------------------------|--|--|
| <b>2008</b>  | 602                          | 267                           | 155  | 58%  |
| <b>2009</b>  | 618                          | 84                            | 66   | 78%  |
| <b>TOTAL</b> | 1220                         | 351                           | 221  | 62%  |

50. The IRS investigation further reveals that Defendants repeatedly prepared and filed, and continue to prepare, erroneous federal income tax returns on behalf of their customers claiming false losses or expenses and inflated income amounts even though they were aware that their tax preparation business was under investigation by the IRS as a result of their tax schemes.

#### **Defendants Generated Returns Requesting Overstated Refunds.**

51. Defendants have continually and repeatedly filed federal income tax returns claiming false unreimbursed employee business expenses.

52. For the 2008 tax year, Defendants deducted Schedule A employee business expenses on over half of the returns they prepared, and on over half of these returns, the employee business expense deduction was between 40% to 100% of the individual's adjusted gross income.

53. For the 2009 tax year, Defendants deducted Schedule A employee business expenses on approximately 40% of the returns they prepared, and on over 40% of these returns the employee business expense deduction was between 40% to 100% of the individual's adjusted gross income.

54. For example, Joe prepared the 2008 federal income tax return of Kulee Morris, in which he falsely claimed \$20,858.00 in itemized deductions. A major portion of the claimed deduction was unreimbursed employee business expenses; Joe falsely claimed Morris had unreimbursed employee business expenses of over \$16,000, including over \$8,000 in vehicle-

related expenses, despite that Morris incurred no such expenses. After audit, the IRS disallowed all of Morris's claimed deductions.

55. Topkawhiewa prepared the 2008 income tax return of Mariama Sanoe, on which he falsely claimed over \$16,000 in deductions for utilities, meals and entertainment, and supplies, and falsely included the First Time Home Buyer Credit. When Sanoe reviewed her return, she questioned Topkawhiewa about the FTHBC and claimed business expenses, but he told her not to worry about it and that everything would be alright. The IRS disallowed Sanoe's claimed deductions, and assessed her with a tax deficiency of over \$12,000.

56. Topkawhiewa also prepared the 2008 federal income tax return of Clara Williams, on which he falsely reported Schedule C expenses of over \$29,000 and falsely claimed the FTHBC. Williams said Topkawhiewa did not discuss the Schedule C expenses with her and fabricated the expenses included on her tax return. After examination, the IRS disallowed Williams's FTHBC and assessed Williams with a tax deficiency of more than \$15,000.

57. Dassin prepared the 2008 joint return of Sisaye Abaye and Aster Habtu, on which he falsely claimed \$26,298 in itemized deductions, including over \$18,000 in unsubstantiated unreimbursed employee business expenses for vehicle, travel, meals and entertainment, and miscellaneous expenses. The taxpayers told an IRS examiner they did not know why Dassin claimed those expenses on their return. After audit, the IRS disallowed all \$26,298 in claimed deductions.

58. Dassin also prepared the 2008 and 2009 federal income tax return of Youmonkomon Freeman. To assist in the preparation of her returns, Freeman provided Dassin with only her Form W-2 and Forms 1099.

59. In 2008, Dassin claimed the FTHBC on Freeman's return even though Freeman did not purchase a home, which credit was disallowed by the IRS.

60. In 2009, Dassin reported itemized deductions equivalent to 75% of Freeman's adjusted gross income, including \$20,669 in unreimbursed business expenses. The IRS disallowed over \$22,000 in deductions Dassin claimed on Freeman's 2009 tax return.

61. Joe prepared the 2008 and 2009 federal tax returns of Alexander Telewoda. In 2008, Joe falsely claimed the FTHBC, and improperly categorized as wage income \$17,467 in income that Telewoda received in 2008 from a trade or business. This categorization meant Telewoda improperly avoided paying self-employment tax on his non-wage income.

## **II. Defendants' Repeated and Continuous Preparation of Returns Falsely Claiming Eligibility for the Earned Income Tax Credit**

62. The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low to moderate-income working individuals and families. To qualify for the EITC, taxpayers must have income below certain specified levels, with qualifying income levels generally connected to a taxpayer's marital status and whether he or she has children. For example, in 2009, in order to qualify for EITC, the earned income limits were as follows:

- (i) If you do not have a qualifying child, earned income must be below \$13,440 (\$18,440 for married filing jointly); or
- (ii) if you have one qualifying child, earned income must be below \$35,463 (\$40,463 for married filing jointly); or
- (iii) if you have two qualifying children, earned income must be below \$40,295 (\$45,295 for married filing jointly); or
- (iv) if you have three or more qualifying children, earned income must be below \$43,279 (\$48,279 for married filing jointly). *See* IRS Pub. 596 (2009).

63. To implement their tax-fraud scheme, Defendants illegally adjust their customers' earned income so that the customers qualify for the EITC and receive a tax refund. Defendants would, among other things, ask their clients how much they spent on personal items and then claim those items as "unreimbursed employee business expenses" or fabricate deductible losses so that their customers' earned income was low enough to qualify for the EITC.

64. Defendants would also illegally manipulate a customer's earned income to qualify their customers for the EITC.

65. Joe prepared at least 422 returns in 2009, mostly for the 2008 tax year. Almost all of these returns claimed a refund, and more than half claimed the EITC.

66. Dassin prepared 115 returns in 2009, mostly for the 2008 tax year. Almost all of these returns claimed a refund, and over one third claimed the EITC.

67. Topkawhiewa prepared 70 returns in 2009, mostly for tax year 2008. Almost all of these returns claimed a refund, and more than half claimed the EITC.

68. For example, Topkawhiewa prepared the 2008 tax return of Musu Browne, on which he reported Browne made \$24,600 as a home health aide, and claimed Browne had \$18,033 in deductible business expenses. Browne told the IRS she brought only a Form 1099 and her driver's license to have her income taxes prepared, and that Topkawhiewa estimated her business expenses for her. Topkawhiewa fraudulently decreased Browne's adjusted gross income and claimed she was entitled to the EITC. After IRS audit, the business expenses Topkawhiewa claimed on Browne's tax return were disallowed because they were not substantiated, and her claimed EITC was also disallowed.

69. Joe prepared the 2008 and 2009 returns of Alhousseyni Fofana, and claimed the EITC in both years.

70. In 2008, Joe falsely reduced Fofana's adjusted gross income by claiming an unsubstantiated business loss and \$8,000 in itemized deductions, thus falsely lowering Fofana's taxable income to \$8,477 and entitling him to the EITC. After review, the IRS changed Fofana's claimed business loss to a business gain, and increased his adjusted gross income, thus disqualifying him for the EITC.

71. In 2009, the IRS's audit of Fofana's return also resulted in disallowance of the EITC after the IRS found Joe greatly underreported Fofana's taxable income.

72. Joe admitted he has included undocumented deductions on his customers' tax returns and prepared inaccurate tax returns. He explained he prepared inaccurate returns to generate higher refunds for his customers so he could build up his clientele.

73. Dassin said that he believed he could get away with itemizing deductions valued at up to half of a customer's adjusted gross income (AGI), stating he thought the IRS would investigate returns only if claimed deductions were in excess of half of a taxpayer's adjusted gross income. Dassin would also list fabricated amounts under "other deductions" to increase deductions to up to half of a customer's adjusted gross income. Dassin admitted he knows it is wrong to fabricate deductions.

74. Dassin prepared the 2008, 2009, and 2010 returns of Korto Cassell. Cassell did not give Dassin any information about the Schedule C deductions claimed on her returns. Despite this, Dassin claimed Schedule C deductions for meals and entertainment, supplies, business property rent, and car and truck expenses totaling over \$11,500 over three years. The IRS disallowed all of these claimed deductions as unsubstantiated and, for 2008, increased Cassell's Schedule C gross receipts from \$0 to \$43,473. The IRS also disallowed over \$27,000 in Schedule A employee business expenses that Dassin reported for Cassell for 2009 because there was no documentation to substantiate these claimed expenses.

75. To generate false numbers for deductions, Dassin would ask his customers questions, such as whether the customer owned a car. If a customer said he owned a car, Dassin would include deductions for mileage, gas, and insurance, regardless of whether the customer used the car for business.

76. Additionally, Defendants would add dependents to the tax returns of customers who did not have children or who did not qualify to claim their children as dependents. By fraudulently adding dependents, Defendants ensured that customers with higher incomes would still receive the EITC and receive a refund.

77. For example, Dassin prepared the 2008 and 2009 income tax return of Trokon Sarnoe, on which he claimed a dependent the IRS later disallowed.

78. Joe later prepared Sarnoe's return for 2010 and claimed the same dependent, even though this dependent was disallowed by the IRS in 2008 and 2009. After review, the IRS disallowed this claimed dependent and disallowed Sarnoe's claimed additional child tax credit.

79. Dassin also prepared the 2009 return of Warldor Sarnoe, on which he claimed two dependants who are not biologically related to him. The IRS found Sarnoe could not establish that these children lived with him for half of the year in 2009 so as to qualify as his dependents. The IRS disallowed these claimed dependents, disallowed Sarnoe's claimed additional child tax credit, and changed the taxpayer's filing status from head of household to single.

80. The IRS also disallowed over \$20,000 in unsubstantiated employee business expense deductions on Sarnoe's 2009 return and assessed Sarnoe with a tax deficiency of over \$7,000.

81. Topkawhiewa prepared the 2008 and 2009 taxes for William and Constance Mahn. In 2009, Topkawhiewa falsely claimed the Mahns were entitled to education credits, despite that no one from their household incurred qualifying education expenses or attended qualifying education programs. The IRS disallowed these falsely claimed education credits.

82. Defendants direct and coordinate all aspects of the preparation and filing of their customers' federal income tax returns and are responsible for the fraudulent schemes described in this complaint.

#### **Continued and Repeated Nature of Defendants' Conduct**

83. Defendants' fraud as tax return preparers has been ongoing since at least 2009.

84. For the 2010 tax year, at least 20 clients of Edron Tax Professionals had their returns audited. Of these 20 returns, 18 returns underreported the taxes owed for 2010, and the IRS assessed deficiencies for these 18 returns totaling over \$80,000.

85. In reviewing Joe's tax preparation practice for the 2010 tax year, the IRS flagged Joe's practice regarding claiming the standard deduction, filing status fraud, and falsely claimed exemptions and Schedule C expenses as abusive.

86. In 2010, Joe underreported the tax liability of his clients by at least \$30,000, and falsely claimed at least \$57,000 in credits, including falsely claiming over \$42,000 in EITCs.

87. For example, Joe prepared the 2008, 2009, and 2010 returns of Edward Tailey. All three returns were examined by the IRS and adjusted after the IRS discovered Joe underreported Tailey's tax liability.

88. Joe also prepared the 2010 returns of Alexander Telewoda, Yvonne Williams, and Kingsley Uffen. All three returns were audited and adjusted by the IRS based on falsely claimed Schedule C expenses and other falsely claimed exemptions. Each return was adjusted by at least \$9,500.

#### **Harm to the Public**

89. The scope of Defendants' misconduct is wide-ranging. The IRS conservatively estimates that Defendants have prepared over 1,200 federal income tax returns for customers from 2009 through 2011.

90. Since at least 2009, Defendants have engaged in a pattern and practice of preparing and filing false federal income tax returns for customers, including but not limited to the fraudulent schemes described above.

91. Defendants' preparation of false and fraudulent returns has resulted in customers significantly underreporting their tax liabilities. As a result, those customers must pay interest and penalties in addition to the taxes they owe.

92. The fraudulent returns filed by Defendants have caused and continue to cause substantial harm to the United States by fraudulently reducing their customers' reported tax liabilities, helping taxpayers evade taxes, and by obstructing the IRS's efforts to administer the federal tax laws.

93. The magnitude of lost tax revenue caused by Defendants' fraudulent conduct is large. The IRS examined at least 352 returns prepared between 2009 and 2011, and has made deficiency assessments on at least 222 of these returns, with positive tax liability adjustments totaling at least \$640,000. The IRS has also disallowed at least \$1.4 million worth of claimed credits.

94. The IRS examined at least 176 returns prepared by Joe for 2008, and made deficiency assessments on at least 108 of these returns. The IRS's deficiency assessments for 2008 returns prepared by Joe totaled at least \$316,761, and the IRS also disallowed \$104,570 in claimed EITCs, and disallowed other claimed credits, including the FTHBC, of at least \$741,358.

95. The IRS examined at least 52 returns prepared by Joe for 2009, and made deficiency assessments on at least 38 of these returns. The IRS's deficiency assessments for 2009 returns prepared by Joe totaled at least \$101,416, and the IRS also disallowed at least \$67,009 in claimed EITCs, and disallowed other credits of at least \$55,753.

96. The IRS examined at least 51 returns prepared by Dassin for 2008, and made deficiency assessments on at least 25 of these returns. The IRS's deficiency assessments for 2008 returns prepared by Dassin totaled at least \$71,726, and the IRS also disallowed at least \$23,394 in claimed EITCs, and disallowed other credits, including the FTHBC, of at least \$244,140.

97. The IRS examined at least 19 returns prepared by Dassin for 2009, and made deficiency assessments on at least 17 of these returns. The IRS's deficiency assessments for 2009 returns prepared by Dassin totaled at least \$42,801, and the IRS also disallowed at least \$12,643 in claimed EITCs, and disallowed other credits of at least \$9,449.

98. The IRS examined at least 40 returns prepared by Topkawhiea for 2008, and made deficiency assessments on at least 22 of these returns. The IRS's deficiency assessments

for 2008 returns prepared by Topkawhiewa totaled \$89,390, and the IRS also disallowed at least \$9,443 in claimed EITCs, and disallowed other credits of at least \$138,572.

99. The IRS examined at least 13 returns prepared by Topkawhiewa for 2009, and made deficiency assessments on at least 11 of these returns. The IRS's deficiency assessments for 2009 returns prepared by Topkawhiewa totaled at least \$18,464, and the IRS also disallowed at least \$15,457 in claimed EITCs, and disallowed other credits of at least \$10,060.

100. The IRS also disallowed the FTHBC on 193 of at least 232 tax returns that claimed the credit, resulting in a potential tax loss to the United States of over \$1.2 million. The IRS estimated the potential revenue loss to the United States, based solely on the IRS's disallowance of claimed FTHBCs for customers of Edron Tax Professionals as \$1.75 million.

101. The United States is further harmed because the IRS must continually devote its limited resources to detecting, examining, and correcting inaccurate tax returns filed by Defendants. The administrative costs to the government of attempting to assess and collect unpaid taxes and attempting to recover erroneously issued refunds is substantial.

102. Defendants' conduct also undermines public confidence in the fairness of the federal tax system and incites non-compliance with internal revenue laws.

103. Joe's conduct described in this Complaint establishes that: (1) his fraudulent returns have caused and continue to cause an immense amount of harm to the United States and the public fisc; (2) Joe is responsible for the preparation and filing of his customers' income tax returns; (3) Joe prepares, procures, or advises with respect to the preparation of documents knowing (or having reason to believe) that they will be used in connection with material tax matters, and knowing that if they are so used they will result in understatements of customers' federal tax liabilities; (4) Joe's fraudulent deductions continue despite the IRS's investigation of his improper conduct; (5) Joe admits what he is doing is wrong; and (6) Joe is in a position vis-a-vis Urban Tax Professionals to continue his fraudulent tax deductions.

104. Dassin's conduct described in this Complaint establishes that: (1) his fraudulent returns have caused and continue to cause an immense amount of harm to the United States and the public fisc; (2) Dassin is responsible for the preparation and filing of his customers' income tax returns; (3) Dassin prepares, procures, or advises with respect to the preparation of documents knowing (or having reason to believe) that they will be used in connection with material tax matters, and knowing that if they are so used they will result in understatements of customers' federal tax liabilities; (4) Dassin's fraudulent deductions continue despite the IRS's investigation of his improper conduct; (5) Dassin admits that what he has done is wrong; and (6) Dassin is in a position vis-a-vis Urban Tax Professionals to continue his fraudulent tax deductions.

105. Topkawhiewa's conduct described in this Complaint establishes that: (1) his fraudulent returns have caused and continue to cause an immense amount of harm to the United States and the public fisc; (2) Topkawhiewa is responsible for the preparation and filing of his customers' income tax returns; (3) Topkawhiewa prepares, procures, or advises with respect to the preparation of documents knowing (or having reason to believe) that they will be used in connection with material tax matters, and knowing that if they are so used they will result in understatements of customers' federal tax liabilities; (4) Topkawhiewa's fraudulent deductions continue despite the IRS's investigation of her improper conduct; and (5) Topkawhiewa is in a position vis-a-vis Urban Tax Professionals to continue his fraudulent tax deductions.

**COUNT I: Injunction Under I.R.C. § 7407 For Violations of I.R.C. § 6694**

106. The United States incorporates by reference the allegations in paragraphs 1-105.

107. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a tax return preparer from specified misconduct (which is described in I.R.C. §§ 6694 and 6695, and I.R.C. § 7407 itself) if the court finds that the preparer has engaged in such conduct and injunctive relief is appropriate to prevent the recurrence of such conduct. Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court

finds that a narrower injunction (i.e., prohibiting only specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from acting as a federal income tax return preparer.

108. I.R.C. § 6694(a) provides that a tax return preparer is subject to penalty if she prepares a return or claim for refund understating a customer's tax liability based on a position for which there was not a reasonable belief that the position would more likely than not be sustained on the merits, and the preparer knew or should have known of the position.

109. I.R.C. § 6694(b) penalizes a tax return preparer for a willful attempt in any manner to understate the liability for tax on the return or claim, and for a reckless or intentional disregard of internal revenue rules or regulations.

110. I.R.C. § 7701(a)(36) defines a "tax return preparer" as a person who prepares for compensation or who employs one or more persons to prepare for compensation, any return or a substantial portion thereof.

111. Defendants are tax return preparers.

112. Defendants willfully prepared tax returns for customers that they knew contained false and grossly inflated claims. They knew that these false deductions, losses, and expenses would understate their customers' tax liability. They did this repeatedly and continually.

113. Defendants knew or should have known that the returns they prepared for their customers contained claims of which they knew or should have known and for which there could not have been a reasonable belief that the position would more likely than not be sustained on the merits. Defendants fabricated these claims and their supporting documentation. There could be no possibility that these false deductions, losses, and expenses would be sustained on the merits because they were fabricated.

114. Preparing federal income tax returns that willfully understate a taxpayer's liability and that contain unrealistic or unreasonable and frivolous positions subjects Defendants to penalty under I.R.C. § 6694.

115. I.R.C. § 7407 authorizes a district court to enjoin a tax return preparer from engaging in conduct subject to penalty under I.R.C. §§ 6694 and 6695.

116. Anything less than a complete bar on the preparation of returns is unlikely to stop Defendants. Defendants' record of fraud shows there is a high likelihood that they will continue their schemes if they are merely barred from filing improper returns.

**COUNT II: Injunction Under I.R.C. § 7408 For Engaging in Conduct Subject to Penalty Under I.R.C. § 6701**

117. The United States incorporates by reference the allegations contained in paragraphs 1 through 105.

118. Section 7408(a) of the Internal Revenue Code authorizes a district court to enjoin persons and entities who have engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701.

119. Section 6701 imposes a penalty: (1) on a person who aids, assists, procures, or advises with respect to the preparation or presentation of any portion of a tax return, claim, or other document ("portion"); (2) when that person knows or has reason to know that such portion will be used in connection with a material matter arising under federal tax law; and (3) that person knows that such portion (if used) would result in an understatement of the liability for the tax of another person.

120. Defendants' conduct is subject to penalty under I.R.C. § 6701. Defendants prepare and file tax returns on behalf of the customers who illegally obtained increased refunds as a result of their fraudulent qualification for EITC.

121. As tax return preparers, Defendants know or have reason to know that the tax returns that they draft and prepare will be used as to material matters under federal tax law.

Additionally, as tax return preparers, Defendants know that the returns they prepare will result in an understatement of tax liability because Defendants know that the deductions, losses and expenses on the returns they prepared were fabricated.

122. Accordingly, Defendants' conduct in connection with their preparation and filing of false income tax returns is subject to penalty under I.R.C. § 6701.

123. These schemes have caused and continue to cause substantial harm to the United States by fraudulently reducing Defendants' customer's reported tax liabilities, helping taxpayers evade taxes, and by obstructing the IRS's efforts to administer the federal tax laws.

124. The magnitude of lost tax revenue caused by Defendants' fraudulent conduct is high. The IRS has over 350 tax returns that have been audited or are in the process of being audited as a result of Defendants' illegal conduct. The IRS estimates that the harm to the government exceeds \$1.7 million in lost tax revenue.

125. The United States is also harmed because the IRS must continually devote limited resources to detecting and examining inaccurate returns filed by Defendants, and to attempting to assess and collect unpaid taxes.

126. An injunction against Defendants is necessary and appropriate to prevent the recurrence of their conduct, subjecting them to penalty under I.R.C. §§ 6700 and 6701, and for engaging in any other conduct subject to penalty under the Internal Revenue Code.

**COUNT III: Injunction Under I.R.C. § 7402 for Unlawful Interference with the Enforcement of the Internal Revenue Laws**

127. The United States incorporates by reference the allegations contained in paragraphs 1 through 105.

128. Section 7402(a) of the Internal Revenue Code authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws, even if the United States has other remedies available for enforcing those laws.

129. Defendants' activities described above substantially interfere with the enforcement of the internal revenue laws by Defendants' actions of preparing and filing numerous fraudulent tax returns that result in customers not paying their true federal income tax liabilities.

130. An injunction prohibiting Defendants from preparing or assisting in the preparation of tax returns is needed to stop the filing of fraudulent tax returns and to prohibit them from otherwise interfering with the proper administration and enforcement of the internal revenue laws.

131. Unless enjoined by this Court, Defendants are likely to continue to engage in illegal conduct.

132. If Defendants are not enjoined, the United States will suffer irreparable harm from the underpayment of tax liability, the exhaustion of resources to enforce the internal revenue laws, and the losses caused by Defendants' actions will continue to increase.

133. While the United States will suffer substantial, irreparable injury if Defendants are not enjoined, Defendants will not be greatly harmed by being compelled to obey the law.

134. The public interest would be advanced by enjoining Defendants because an injunction will stop their illegal conduct and the harm that conduct is causing the United States Treasury and the public.

135. An injunction under I.R.C. § 7402 is necessary and appropriate, and the United States is entitled to injunctive relief under I.R.C. § 7402. The injunction, as detailed below, should bar Defendants, and anyone acting in concert with them, from preparing or filing tax returns for others, representing customers before the IRS, and from otherwise engaging in conduct that interferes with the proper administration of the internal revenue laws.

### **RELIEF SOUGHT**

WHEREFORE, the United States of America respectfully prays the following:

- A. That this Court find that Defendants continually and repeatedly engaged in conduct prohibited by I.R.C. §§ 6694, 6695, and 7407, and further find that a narrow injunction is not sufficient to prevent Defendants' interference with the proper administration of the internal revenue laws, making injunctive relief under I.R.C. § 7407 appropriate and necessary.
- B. That this Court find that Defendants engaged in conduct subject to penalty under I.R.C. § 6701 and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a recurrence of that conduct.
- C. That this Court find that Defendants engaged in conduct substantially interfering with the administration and enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent a recurrence of that conduct under 26 U.S.C. § 7402(a).
- D. That this Court, pursuant to 26 U.S.C. §§ 7402, 7407, and 7408, enter a permanent injunction prohibiting Defendants, individually and through any other name or entity, and their representatives, agents, servants, employees, attorneys, accountants and those persons in active concert or participation with them, from directly or indirectly:
  - a. Acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns or amended returns for any person or entity other than each defendant preparing his own personal tax return;
  - b. Preparing or filing, or assisting in the preparation or filing of tax returns or other related forms or documents for others;
  - c. Appearing as a representative on behalf of any person or entity before the IRS;
  - d. Owning, managing, controlling, working for, or volunteering for a tax-return-preparation business;
  - e. Seeking permission or authorization (or helping or soliciting others to seek permission or authorization) to file tax returns with an IRS Preparer Tax Identification Number ("PTIN") and/or IRS Electronic Filing Identification Number (EFIN), or any other IRS service or program by which one prepares or files tax returns;

- f. Engaging in conduct subject to penalty under I.R.C. § 6701, including preparing or assisting in the preparation of, or advising with respect to a document related to a material matter under the internal revenue laws that includes a position that Defendants know will, if used, result in an understatement of tax liability;
  - g. Engaging in conduct subject to penalty under any provision of the Internal Revenue Code;
  - h. Engaging in conduct designed or intended to, or having the effect of, obstructing or delaying an IRS investigation or audit; and
  - i. Engaging in any other conduct that interferes with the proper administration and enforcement of the internal revenue laws.
- E. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring Defendants to produce to counsel for the United States a list identifying (by name, address, e-mail address, phone number, and Social Security or other tax identification number) all of the customers who, for any of the tax years, 2008 to the present, have used the tax planning and/or tax preparation services of Defendants and/or their businesses as they are known under any of their names, including Edron Tax Professional and Urban Tax Professionals, and to file with the Court, within 20 days of the date on which the permanent injunction is entered, a certification signed under penalty of perjury that they have done so;
- F. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring Defendants at their own expense to contact by mail (or by e-mail, if a mailing address is unknown) all of their customers related to any of their tax planning and/or tax preparation services and inform those individuals of the Court's findings concerning the falsity of their prior representations and attach a copy of the permanent injunction, and to file with the Court, within 20 days of the date on which the permanent injunction is entered, a certification signed under penalty of perjury that they have done so;
- G. That the Court allows the United States full post-judgment discovery to monitor compliance with the injunction;

- H. That the Court retain jurisdiction over this action for purpose of implementing and enforcing the final judgment and any additional orders necessary and appropriate to the public interest; and
- I. That the Court grant the United States such other and further relief as the Court deems appropriate.

Respectfully submitted,

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